

<b>Financial Management Circular</b>	<b>#2006-1</b>
<b>Effective Date</b>	<b>June 15, 2006</b>
<b>General Subject</b>	<b>Administrative Rulemaking</b>
<b>Specific Subject</b>	<b>Update of Circular 89-1.1 State Budget Agency Review of Proposed Rules</b>
<b>Authority</b>	<b>Executive Order 2-89 IC 4-12-1-13</b>
<b>Application</b>	<b>This circular applies to all rules adopted by any state agency as defined in IC 4-22-2</b>

**WHEREAS**, pursuant to Executive Order 2-89, prior to the adoption of a rule by a state agency, the proposed rule or an amendment or modification to an existing rule must be approved by the Director of the State Budget Agency;

**WHEREAS**, prior to approval by the Director of the State Budget Agency, the agency proposing to promulgate the new rule or an amendment to an existing rule shall prepare a fiscal impact analysis on state and local government as described in this Circular;

**WHEREAS**, prior to approval by the Director of the State Budget Agency, a cost-benefit analysis shall also be performed by the agency proposing to promulgate the new rule or an amendment or modification to an existing rule under the procedure set forth in Circular 2006-2; and

**WHEREAS**, Indiana Code § 4-22-2.1-5 requires the agency proposing to promulgate the new rule or an amendment or modification to an existing rule to prepare a small business impact statement.

This Financial Management Circular establishes the procedure that the State Budget Agency will use for its review and approval of the promulgation of new rules or amendments or modifications to existing rules. This Circular applies to all rules and amendments or modifications to existing rules adopted by any state agency under Indiana Code § 4-22-2 et seq. This Circular applies to all proposed rules and amendments or modifications to existing rules where notice of intent to adopt is published on or after June 1, 2006 in the Indiana Register.

1. When an agency files its Notice of Intent, the agency shall provide the State Budget Agency with a copy of the Notice simultaneously with the filing of the Notice with the Legislative Services Agency.
2. Following the publication of the Notice of Intent in the Indiana Register and prior to the Notice of Public Hearing, the agency proposing the adoption of a new rule or an amendment or modification to an existing

rule, must complete and submit to the Director of the State Budget Agency, through the agency's State Budget Agency analyst, a fiscal impact analysis to state and local governments of the proposed rule or amendment.

At a minimum, the fiscal impact analysis shall contain a calculation of the estimated fiscal impact on state and local government, including the effective date of the rule, identification of any sources of revenue affected by the rule, identification of any appropriation, distribution or other expenditures of revenue affected by the rule, the estimated increase or decrease in revenues or expenditures of state and local government that would result from the implementation of the rule and the assumptions used in making the fiscal impact calculation.

3. In addition to the fiscal impact analysis described in this Circular, the agency proposing the adoption of a new rule or an amendment or modification to an existing rule shall also demonstrate to the State Budget Agency its compliance with the following:
  - a. Preparation of a Cost-Benefit Analysis under Circular 2006-2.
  - b. Preparation of the Small Business Impact Statement under IC § 4-22-2.1.5.

For purposes of this Circular, compliance may be demonstrated by including a copy of the Cost-Benefit Analysis prepared under IC § 4-3-22-13 and Circular 2006-2 and the Small Business Impact Statement prepared under IC § 4-22-2.1-5

Upon completion of review of the new rule or an amendment or modification to an existing rule, the State Budget Agency shall advise the agency proposing to promulgate the rule or amendment whether the Director of the State Budget Agency approves the rule or amendment, disapproves the rule or amendment, or requires additional information. All approvals shall be in writing and must be attached to the proposed rule or amendment when submitted to the Governor for his review and approval.

This Circular does not alter the deadlines established for submission of proposed rules (or amendments or modifications to existing rules) to the Legislative Services Agency, for public hearings, or for submission to the Indiana Attorney General, the Indiana Secretary of State and the Governor. If an agency provides information to the Legislative Services Agency or Indiana Economic Development Corporation concerning the fiscal impact of a proposed rule or an amendment or modification to an existing rule, the agency shall provide copies of such information to the State Budget Agency.

4. This Circular rescinds FMC #89-1.1.

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Director, Office of Management and Budget